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Central Intelligence Bulletin

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April 23, 1974

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April 23, 1974

Central Intelligence Bulletin

CONTENTS

ISRAEL: Labor Minister Rabin elected to succeed Mrs. Meir as Labor Party leader. (Page 1)

ISRAEL-SYRIA: Fighting down from intense level of last Friday. (Page 3)

CAMBODIA: Government faces precarious situation on battlefield 20 miles northwest of Phnom Penh. (Page 5)

25X1

CHILE: Santiago's plans to return automotive plant to US firm hit snag. (Page 7)

25X1

USSR-CUBA: Two Soviet warships apparently en route to Cuba. (Page 11)

JAPAN: Strong performance by Prime Minister Tanaka's party should improve his standing against critics. (Page 11)

NIGERIA: Government reaches participation agreement with three largest oil producers. (Page 12)

25X1

25X1

ISRAEL: Labor Minister Yitzhak Rabin, narrowly elected yesterday to succeed Mrs. Meir as Labor Party leader, faces a difficult, uphill struggle to forge a new cabinet. His chances at this point are not good and new elections this year may yet have to be called.

Rabin's initial task will be to convince the faction-ridden Labor Party to unite behind him, particularly the Rafi faction led by Dayan and Shimon Peres. Peres, the only other candidate in the balloting yesterday, made a surprisingly strong showing, an indication that opposition to Rabin within Labor is fairly widespread. Rabin's other major hurdle on the way toward a new cabinet is the reluctance of Labor's coalition partners in the government--the National Religious Party and the Independent Liberal Party--to reconstitute the current Labor-led tripartite coalition.

A Labor delegation will ask President Katzir today to entrust Rabin formally with the task of forming a cabinet. Katzir can then officially give Rabin up to six weeks to complete the task.

Rabin, only 52, represents a true generational break with the country's aging leadership. More importantly, he is relatively untainted by the controversy concerning the government's handling of the war last October. He has steadily gained popularity over the months and, with 15-percent support, according to recent public opinion polls, heads the list of those thought best qualified to succeed Mrs. Meir. Party leaders such as Finance Minister Sapir may therefore believe that even if Rabin fails to form a new cabinet, he is the best choice to head Labor's effort to regain the popular support it needs to win the next election.

Rabin, a former ambassador to the United States and Israeli armed forces chief of staff during the 1967 war, supports the government's current Middle East policy. As prime minister, Rabin almost certainly would not significantly alter Israel's current domestic policies or its position on the requirements for a Middle East settlement. He is, however, pessimistic about the chances that Israel can negotiate successfully with the Syrians.

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Apr 23, 1974 *Central Intelligence Bulletin*

1

25X1

Approved For Release 2004/04/12 : CIA-RDP79T00975A026300290001-8

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ISRAEL-SYRIA: Fighting on the Golan front yesterday was down for the third consecutive day from the intense level of last Friday. Syrian and Israeli forces exchanged tank, artillery, and small arms fire in the Mount Hermon area as well as along other sectors of the front.

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According to an Israeli military spokesman, Syrian aircraft yesterday overflowed portions of the Israeli salient in what probably was a reconnaissance mission. Israeli fighters were dispatched to intercept the aircraft, but no contact was made.

Israeli military authorities have officially denied a story in a Lebanese newspaper that Israeli forces are occupying a hill in Lebanon west of Mount Hermon.

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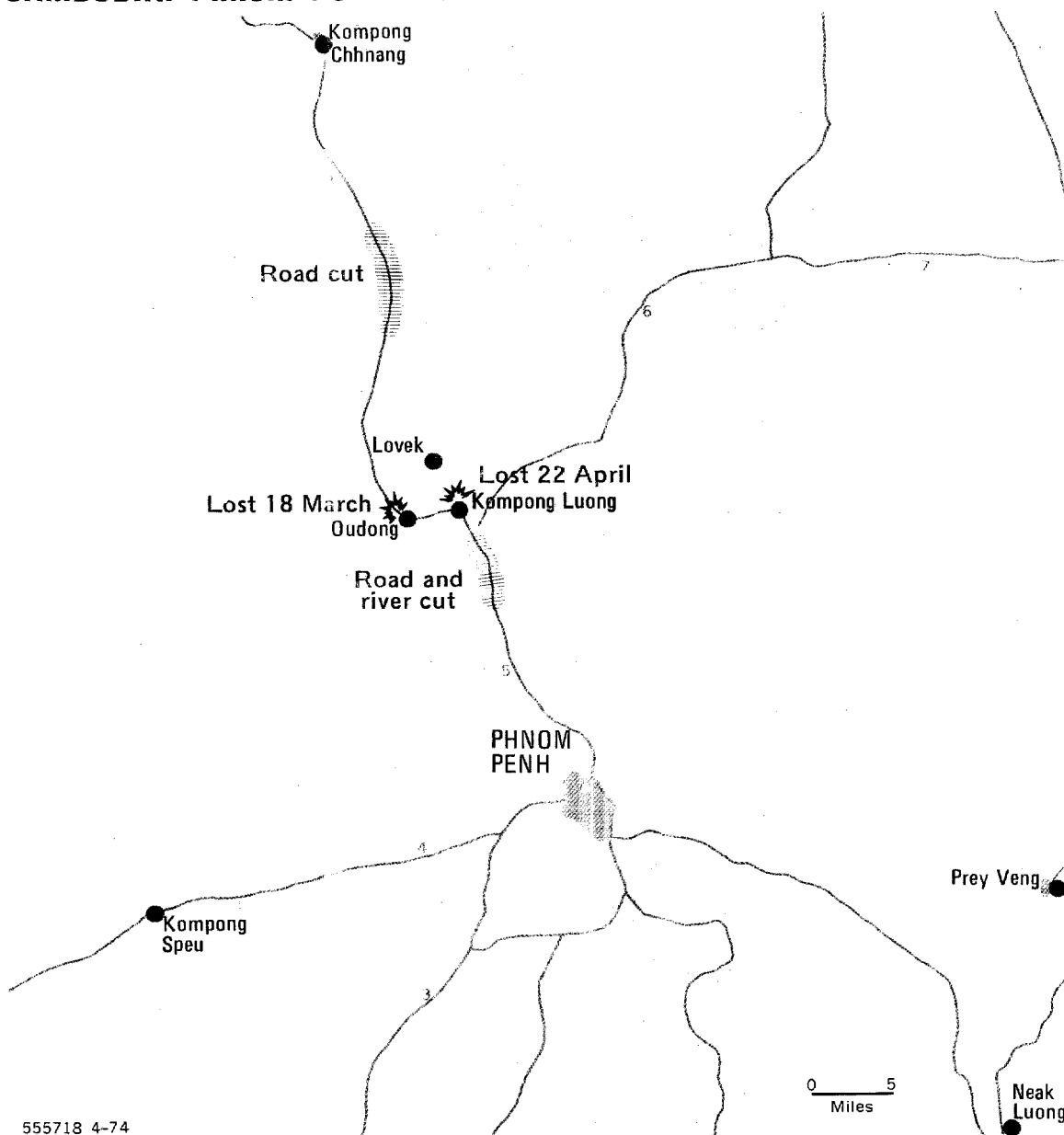
Apr 23, 1974

Central Intelligence Bulletin

3

25X1

CAMBODIA: Phnom Penh Area



CAMBODIA: The government faces a precarious situation on the battlefield 20 miles northwest of Phnom Penh. The loss of Kompong Luong over the weekend has reduced Cambodian Army holdings in the area to the former training complex at Lovek, a few miles northwest of Kompong Luong. With the arrival so far of approximately half of the 1,900-man force from Kompong Luong, over 3,000 troops and 25,000 civilians are now isolated at Lovek.

The Cambodian Army high command will have to decide in the next few days to make a stand at Lovek or to evacuate. A successful defense would depend heavily on the air force's ability to provide tactical and logistic support. If Lovek is abandoned, government forces could be extracted by helicopter or they may attempt to move overland to the Tonle Sap River where they could move north to Kompong Chhnang by boat.

25X1

25X1

Apr 23, 1974

Central Intelligence Bulletin

5

25X1

Approved For Release 2004/04/12 : CIA-RDP79T00975A026300290001-8

Approved For Release 2004/04/12 : CIA-RDP79T00975A026300290001-8

CHILE: Santiago's plans to return an automotive plant in Arica to General Motors on May 1 have hit a snag. The navy is concerned that return of the firm would alienate Spain to the point of carrying out its threat to cancel credits of \$45 million for ship purchases.

Madrid is objecting to GM's return to Chile because Pegaso Corporation--Spanish truck producers--obtained the sole right from the Allende administration to produce trucks in Chile. The Arica plant was operated by the Allende government for more than two years; control of the plant was turned over to Santiago because GM was not willing to cope with persistent labor problems. Because the Arica facilities are in good condition, production could be started quickly with little new investment. Initial plans call for the firm to produce pickup trucks assembled from parts imported from GM's Argentine subsidiary.

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Santiago has also been negotiating the return of the Casablanca factory to Ford; agreement is likely soon. Because the Casablanca factory is being used by Pegaso under the Allende contract, a settlement with Ford would further complicate relations with Spain and possibly with Argentina.

25X1

Apr 23, 1974

Central Intelligence Bulletin

7

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Approved For Release 2004/04/12 : CIA-RDP79T00975A026300290001-8

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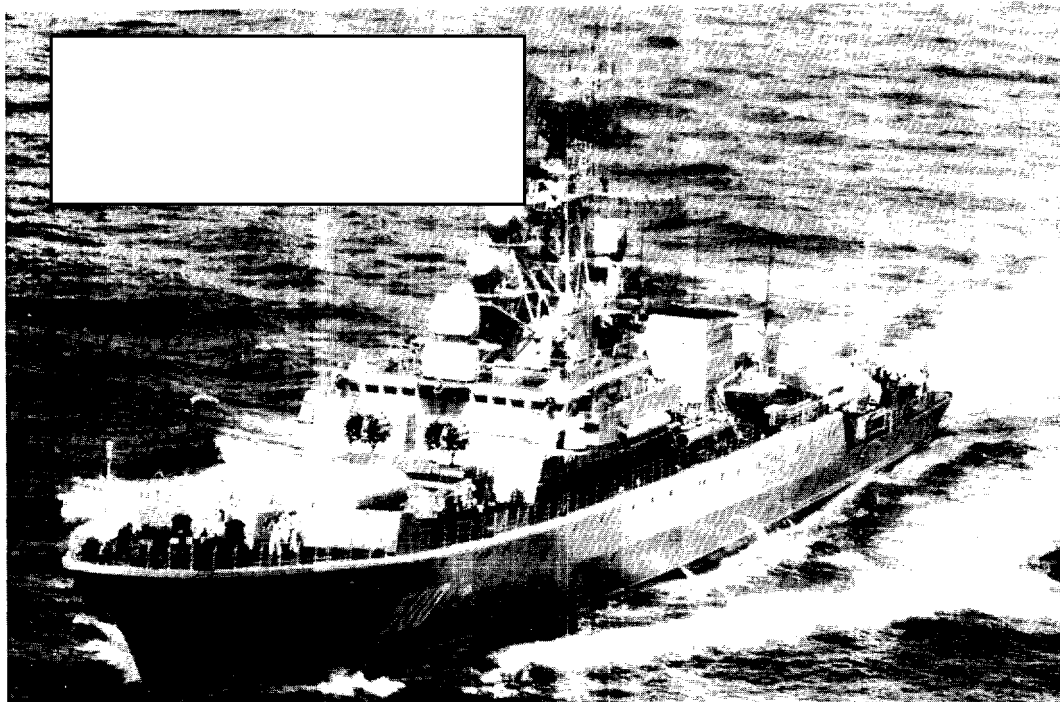
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Krivak-Class Guided Missile Destroyer

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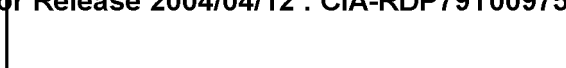


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USSR-CUBA: Two Soviet warships now in the mid-Atlantic appear to be headed for the Caribbean. Based on their present speed, the warships--two Krivak-class guided-missile destroyers--could arrive in Cuba for May Day celebrations.

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This visit to Cuba would be the eleventh by Soviet ships, the first by a Krivak-class destroyer. If the Soviets follow earlier practices, the ships will operate with the Cuban Navy during part of the visit.

[REDACTED]

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JAPAN: The ruling conservative party's strong performance in the local elections held on Sunday should improve Prime Minister Tanaka's standing against his critics in the party.

The conservatives captured a key Upper House by-election, a gubernatorial election, and almost all of the 23 mayoral elections. They were aided by the lack of cooperation among the opposition parties, and some of the mayoral victories came in locales long dominated by the opposition.

Although the conservatives have been losing ground in local elections over the last year or so, Sunday's results underscore that they continue to command a wide base of support. [REDACTED]

25X1

Apr 23, 1974

Central Intelligence Bulletin

11

25X1

NIGERIA: Lagos has completed negotiations with the three largest oil producers--Shell-BP, Gulf, and Mobil--for 55-percent participation in petroleum production, retroactive to April 1. Negotiations with the other major producers--AGIP/Phillips and SAFRAP--are in the final stages. The agreements will raise total government oil revenues to an estimated annual level of more than \$9 billion, up from an estimate made earlier this year of \$7.5 billion.

The companies have the right to buy back 75 percent of the government's participation oil. Buy-back prices were agreed to for April through June at about \$13 per barrel, about 90 percent of the posted price. With company equity oil set at about \$9 per barrel, Nigerian oil will cost the companies an average of \$11. Persian Gulf members of OPEC have demanded buyback prices of 93 percent of the posted price and Qatar recently has sold oil to Shell at that price. Persian Gulf oil currently costs the companies about \$9. Nigerian oil is more valuable than Persian Gulf oil because it has less sulfur content and costs less to transport to the US and Western Europe.

The Nigerian Government has withdrawn its plans to take royalties in kind. All oil for direct sale by the government will now be acquired through participation. After the companies exercise their buy-back options, the government will have 13.75 percent of total production--more than 300,000 barrels per day--for direct marketing. [REDACTED]

25X1

Apr 23, 1974

Central Intelligence Bulletin

12

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Approved For Release 2004/04/12 : CIA-RDP79T00975A026300290001-8

Next 1 Page(s) In Document Exempt

Approved For Release 2004/04/12 : CIA-RDP79T00975A026300290001-8

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